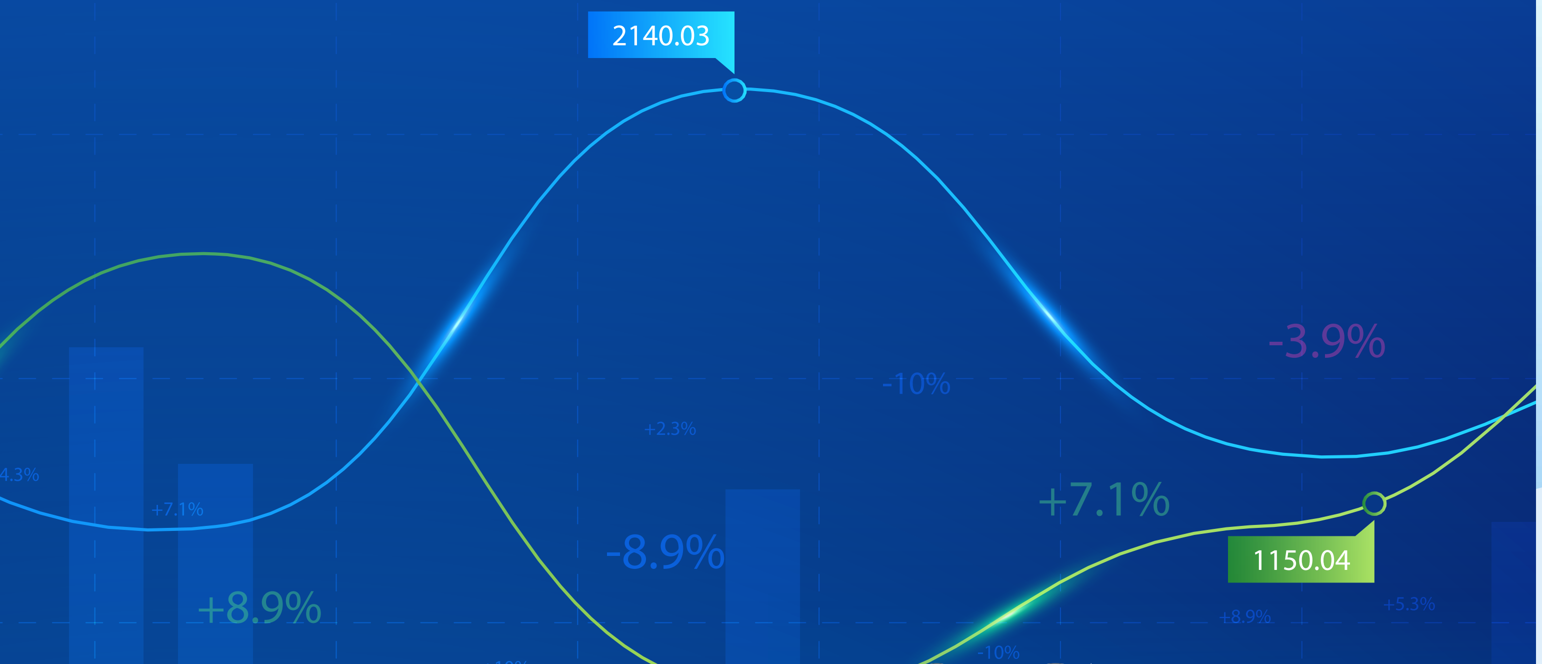

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Be a Wise Investor

Investors are drawn to the stock market to earn big money. However, making money by investing in stocks require plenty of patience and discipline as well as a sound understanding of the market. Besides, it is only when you understand the fundamentals of investing that you can learn how to invest in stocks with confidence.

Although no definite formula has been discovered for successfully investing in stock markets, here are some golden rules which, if followed prudently, may increase your chances of getting a good return.

Take informed decisions

When making an important investment like purchasing a car, an investor would most likely first do some research on the preferred model and on its closest competitors. Similarly, proper research should always be undertaken before investing in shares.

Companies that issue shares are required to produce many public documents. These publications will often not only have earnings data but information about the company, the market, and opinions of experts. Once you've done your research, you're ready to begin purchasing shares.

Invest in a business you understand

Many successful investors follow this rule of thumb. Never invest in something you do not understand. In other words, before investing in a company, you should know what business the company is engaged in. Be sure to always read an Initial Public Offering (IPO) prospectus, Annual Report or company announcements/circulars carefully. If you cannot understand the investment and how it will help you make money, ask a trusted financial professional such as a Registered Investment Advisor for help. If you are still confused, you should think twice about investing.

Don't try to time the market

Is there a right time to invest in the stock market? That's the magic question people have asked for as long as the stock market has been around. The simplest answer is that it is extremely difficult to predict how stocks or the stock market will do. You can try to find the right time to invest or find the wrong times to avoid, you will never get it correct 100% of the time. Too many factors are involved for you to figure out the perfect time to invest. For the average investor a diversified portfolio, held for the long-term, is the best strategy.

Follow a disciplined investment approach

In the words of Warren Buffet, "Successful investing takes time, discipline and patience. No matter how great the talent or effort, some things just take time". Investors who put in money systematically, in the right shares and hold on to their investments patiently have been seen generating outstanding returns. Hence, it is prudent to have patience and follow a disciplined investment approach besides keeping a long-term broad picture in mind.

All in all, disciplined investing is the right way to go if you need long-term benefits and want financial stability and there's no short-cut to it.

Do not let emotions cloud your judgement

It is said that markets are driven by just two emotions: fear and greed. Money is always an emotional subject, but often when emotions get involved with your investment, you will make wrong decisions and they can be costly mistakes.

Even the most professional and experienced investors do not make the best decisions when they let emotions cloud their judgement. Therefore, keeping emotions away from investment decisions can give you a better chance for success.

Create a broad portfolio

Diversification is a familiar term to most investors and can be summed up with this phrase: "Do not put all of your eggs in one basket."

Diversification of portfolio across asset classes and instruments is the key factor to earn optimum returns on investments with minimum risk. Level of diversification depends on your personal time horizon, risk tolerance, investment goals, financial means and level of investment experience.

Have realistic expectations

The objective of investing is to get returns. But investors need to be realistic about the return on their investments. The stock market is not a gambling place so do not expect to become a millionaire overnight.

Being realistic about your expectations is the most important step in achieving success in the financial markets.

Therefore, setting your expectations prior to investing is one of the most crucial aspects for investing success. As the saying goes, you will not know when you have arrived if you do not know where you are going. Investing is much the same.

Monitor rigorously

Investing is not an easy, hands-off endeavor. Monitoring your share portfolio will enable you to make more informed decisions on when to buy and sell shares. Therefore, establish a routine, time frame and process to review your holdings.

Modern technology makes it easy to constantly keep an eye on your portfolio. If you are unable to monitor your investments, obtain help from your Registered Investment Advisor.

Always browse your stock broker firm's website or the official website of the Colombo Stock Exchange i.e. www.cse.lk to get comprehensive up to date information.

Investors are also advised to visit www.sec.gov.lk the official website of the SEC to get useful information. In addition, ensure that you scrutinize all the documents that you receive from your stock broker.

Avoid the herd mentality

A typical buyer's decision to purchase shares is often heavily influenced by the actions of others. When markets are surging, everyone wants to buy shares, when the market plunges investors sell their shares often without a rational reason. But this strategy is bound to backfire in the long run.

The world's greatest investor Warren Buffett said, "Be fearful when others are greedy, and be greedy when others are fearful!". Therefore, a wise investor should not invest on a - follow- the- crowd mentality.